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Winspear Business Reference Room
University of Alberta
1-19 Business Building
Edmonton, Alberta T6G 2R6



1994 ANNUAL REPORT



ROBERTS BAY RESOURCES LTD.

▲ LETTER TO THE SHAREHOLDERS

▲ COMPANY PROFILE

Roberts Bay Resources Ltd. was incorporated in May, 1993 and listed on the Alberta Stock Exchange as a junior capital corporation on January 14, 1994. On April 4, 1994 the Company initiated its major transaction with the purchase of four producing wells located near Rowley, Alberta. In addition, a Private Placement of \$1,300,000 was raised; proceeds of which were utilized to complete the acquisition.

▲ COMPANY OBJECTIVE

In order to participate in the anticipated positive energy environment of the 90's, it will be necessary to build a sound foundation utilizing grass roots exploration and development activities. To achieve this objective, it will take two basic fundamentals:

- sound management
- sufficient capital

Management of Roberts Bay is provided by its founders and directors ensuring that their success is dependent on Company success. Exploration prospects are provided by three experienced Geologists where Roberts Bay has a first right of refusal on their prospects in return for payment of a gross overriding royalty.

Capital for an emerging corporation is a trying objective and it will take management's every effort to ensure that Roberts Bay has sufficient capital to participate in an expanded role in the Canadian energy sector. With this in mind, the management and directors of Roberts Bay request the patience and assistance of our shareholders whose loyalty the Company cannot exist without. Together we can build a successful and dynamic energy company.

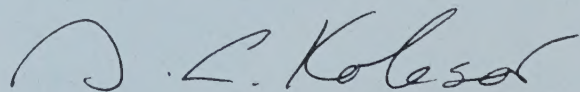
▲ FUTURE PLANS

On June 13, 1994 the Company on a flow through basis acquired 500,000 shares of Canadian Angus Resources Ltd. in exchange for shares of Roberts Bay Resources valued at \$0.45. Subsequently Canadian Angus has participated in a successful oil well located in the Niger Delta. Roberts Bay is currently assessing its investment and details will be released when a decision has been made.

On July 20, 1994 Roberts Bay Resources acquired from Cube Energy Corp. a 26.4% operating working interest in the well Cube Shapco 16-24-32-20-W4. The well complements Roberts Bay's current production in the Rowley area and will add about 100 mcf/d to our current production. Payment was 507,500 common shares of Roberts Bay valued at \$0.40 per share.

In order to maximize our exploration efforts, the Company plans to initiate a \$2.0 million flow through share offering. Funds will be spent on exploratory projects at Rowley, Blackie, North Battle and Sedalia. All prospects are located in our Focus Area of south central Alberta.

Company share of funds to complement the tangible portion of the flow through funds will be provided by current cash on hand, plus the funds provided by the exercise of the outstanding warrant on October 4, 1994. It is anticipated that Roberts Bay will participate in approximately six exploratory projects in the next six months.



Dennis L. Kolesar

President

▲ AUDITOR'S REPORT

TO THE SHAREHOLDERS ROBERTS BAY RESOURCES LTD.

We have audited the balance sheet of Roberts Bay Resources Ltd. as at March 31, 1994 and the statements of income and deficit and changes in financial position for the nine and one half month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1994 and the results of its operations and the changes in its financial position for the nine and one half month period then ended in accordance with generally accepted accounting principles.

BDO Dunwoody Ward Mallette
Chartered Accountants

Calgary, Alberta
June 3, 1994



BALANCE SHEET

March 31, 1994

ASSETS

CURRENT

Cash	\$ 91,288
Accounts receivable	6,859
Prepaid expenses	14,823
	112,970

CAPITAL ASSETS

Oil and gas properties	564,228
Well equipment	159,000
Furniture and equipment	30,085
	753,313
Less accumulated amortization and depletion	(3,267)
	750,046
	\$ 863,016

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT

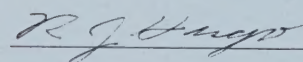
Accounts payable	\$ 695,156
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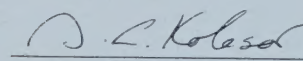
SHARE CAPITAL (Note 3)	194,642
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DEFICIT	(26,782)
	167,860

\$ 863,016

Approved on behalf of the Board:

 Director

 Director

STATEMENT OF INCOME AND DEFICIT ▲

For the nine and one half month period ended March 31, 1994

REVENUE	\$ <u>—</u>
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EXPENSES

Amortization and depletion	3,267
General and administrative	<u>23,515</u>
	<u>26,782</u>

NET LOSS FOR THE PERIOD, REPRESENTING DEFICIT, END OF PERIOD	\$ (26,782)
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LOSS PER SHARE	\$ <u>(0.011)</u>
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▲ STATEMENT OF CHANGES IN FINANCIAL POSITION

For the nine and one half month period ended March 31, 1994

CASH PROVIDED (USED) BY

OPERATING ACTIVITIES

OPERATIONS

Net loss for the period	\$ (26,782)
Item not involving cash	
Amortization and depletion	<u>3,267</u>
	(23,515)

CHANGES IN NON-CASH WORKING CAPITAL BALANCES

Accounts receivable	(6,859)
Prepaid expenses	(14,823)
Accounts payable	<u>695,156</u>
	<u>649,959</u>

FINANCING ACTIVITIES

Issue of shares, net	<u>194,642</u>
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INVESTING ACTIVITIES

Oil and gas property additions	(564,228)
Well equipment additions	(159,000)
Purchase of other capital assets	<u>(30,085)</u>
	<u>(753,313)</u>

INCREASE IN CASH, REPRESENTING

CASH, END OF PERIOD	\$ 91,288
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▲ NOTES TO FINANCIAL STATEMENTS

March 31, 1994

1. GENERAL AND OPERATIONS

The Company was incorporated under the Alberta Business Corporations Act on April 27, 1993.

The statement of income and deficit reflects the operations for the nine and one half month period commencing June 15, 1993. There is no production revenue recorded for the current period as the Company acquired production properties with a closing date of April 4, 1994. Net production revenue for these properties for the period September 1, 1993 to March 31, 1994 has been reflected as a reduction of the purchase price of the related property in the amount of \$106,996.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Company.

(a) OIL AND GAS PROPERTIES AND EQUIPMENT

The Company follows the full cost method of accounting for its oil and gas properties, wherein all costs related to the exploration for development of oil and gas reserves are initially capitalized. Costs capitalized included land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and non-productive wells, together with overhead and interest directly related to exploration and development activities. Proceeds on minor property sales are credited to the net book value of the property and equipment. Gain or losses are not recognized upon disposition of oil and natural gas properties unless such disposition would significantly alter the rate of depletion and amortization.

Costs capitalized in the cost centres are depleted using the composite unit-of-production method based on proven oil and gas reserves as determined by independent engineers. No depletion has been calculated for the current period, as the assets were acquired at the period end.

In applying the full cost method, the Company performs a ceiling test which restricts the capitalized costs less accumulated depletion and amortization from exceeding an amount equal to the estimated undiscounted value of future net revenues from proven oil and gas reserves, based on current prices and costs and after deducting estimated future costs of site restoration and removal, general and administrative expenses and income taxes.

The Company accrues for site restoration costs on the basis of actual production. The accrual is based on management's best estimation of these future costs allocated on the ratio of actual production to proven producing reserves. This charge will be reflected along with depletion and amortization expense. No costs were accrued in the current period, as the assets were acquired at the period end.

Included in Oil and Gas properties are general and administrative expenses of \$26,132.

(b) JOINT VENTURE ACCOUNTING

All of the Company's oil and gas exploration and development activities are conducted jointly with others; the financial statements reflect the Company's proportionate share in such activities.

(c) **CAPITAL ASSETS**

Capital assets are recorded at cost. Amortization is provided using the declining balance basis at the following annual rates:

Furniture and equipment	- 20%
Computer equipment	- 30%

3. **SHARE CAPITAL**

AUTHORIZED

Unlimited number of common shares

Unlimited number of preferred shares

ISSUED

Issue of shares for cash (net of
issue costs of \$45,358)

OF SHARES

3,995,082

TOTAL

\$194,642

The Corporation has established a Stock Option Plan for its directors, officers and employees and has granted options as follows:

# OF SHARES	PRICE	EXPIRATION DATE
349,754	\$0.10	June 15, 1998
<u>300,000</u>	<u>\$0.50</u>	<u>January 31, 1999</u>
649,754		

Yorkton Securities Inc. has been granted the option to purchase 170,000 common shares of the Corporation, exercisable at \$0.10 per share, until January 31, 1995.

4. **INCOME TAXES**

The Company has business losses of approximately \$132,000, which can be used to reduce taxable income of future years. These losses expire in 2001. The potential benefits of these losses have not been recognized in the financial statements.

5. **EARNINGS PER SHARE**

Basic earnings per common share	\$ (0.011)
Weighted average number of shares outstanding	2,404,051

6. **SUBSEQUENT EVENTS**

- (a) On April 4, 1994, the Corporation issued 3,250,000 special warrants at \$0.40 per warrant. Each special warrant is convertible at no extra charge into a unit comprised on one common share and one half share purchase warrant. One whole share purchase warrant plus \$0.50 entitles the holder to purchase an additional common share up to six months following closing.

Gross proceeds from the issue were \$1,300,000. The underwriting fee and other expenses of the issue are approximately \$115,000. In addition, the agent has been granted the option to purchase 325,000 common shares at \$0.40 per share until March 24, 1995.

- (b) An employee of the Corporation has been granted the option to purchase 25,000 common shares of the Corporation, exercisable at \$0.50 per share, until May 5, 1999.

▲ CORPORATE INFORMATION

DIRECTORS

G. RAMON HUGO

Chairman

Petroleum Economist

Sidney, B. C.

DENNIS L. KOLESAR

President

Roberts Bay Resources Ltd.

Calgary, Alberta

ROBIN J. HUGO

Vice-President, Land, Secretary

Roberts Bay Resources Ltd.

Calgary, Alberta

THOMAS J. WALLACE

Independent Geologist

Sidney, B. C.

EDWARD N. VINK

Barrister and Solicitor

Calgary, Alberta

HEAD OFFICE

Suite 610, 202 Sixth Avenue SW

Calgary, Alberta T2P 2R9

STOCK EXCHANGE LISTING

The Alberta Stock Exchange

Trading Symbol: RBR

OPERATING PERSONNEL

G. RAMON HUGO

Chairman

DENNIS L. KOLESAR

President

ROBIN J. HUGO

Vice-President

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AUDITOR

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Calgary, Alberta T2P 3G3

TRANSFER AGENT

Montreal Trust

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Calgary, Alberta T2P 1E7

▲ FOR FURTHER INFORMATION CONTACT ▲

Dennis L. Kolesar

President

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